

**REPORT OF THE AUDIT OF THE  
DAVIESS COUNTY  
SHERIFF'S SETTLEMENT - 2004 TAXES**

**May 10, 2005**



**CRIT LUALLEN  
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**CRIT LUALLLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Louis Reid Haire, Daviess County Judge/Executive

Honorable Keith Cain, Daviess County Sheriff

Members of the Daviess County Fiscal Court

The enclosed report prepared by Mountjoy & Bressler, LLP, Certified Public Accountants, presents the Daviess County Sheriff's Settlement - 2004 Taxes as of March 26, 2005.

We engaged Mountjoy & Bressler, LLP, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Mountjoy & Bressler, LLP evaluated the Daviess County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure





**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**DAVISS COUNTY**  
**SHERIFF'S SETTLEMENT - 2004 TAXES**

**May 10, 2005**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2004 Taxes for Daviess County Sheriff as of May 10, 2005. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$34,178,290 for the districts for 2004 taxes, retaining commissions of \$984,936 to operate the Sheriff's office. The Sheriff distributed taxes of \$33,084,572 to the districts for 2004 Taxes.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
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Honorable Louis Reid Haire, Daviess County Judge/Executive  
Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

Independent Auditor's Report

We have audited the Daviess County Sheriff's Settlement - 2004 Taxes as of May 10, 2005. This tax settlement is the responsibility of the Daviess County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Daviess County Sheriff's taxes charged, credited, and paid as of May 10, 2005, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Louis Reid Haire, Daviess County Judge/Executive  
Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2005, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

*Mountjoy & Bressler, LLP.*

Mountjoy & Bressler, LLP

Audit fieldwork completed -  
September 27, 2005

DAVIESS COUNTY  
KEITH CAIN, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2004 TAXES

May 10, 2005

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 4,691,811	\$ 4,485,372	\$ 14,129,965	\$ 4,586,771
Tangible Personal Property	643,052	433,081	1,657,939	1,578,866
Intangible Personal Property				710,298
Bank Shares	381,667			
Increases Through Exonerations	7,144	5,360	23,859	16,652
Omitted Taxes	14,210	8,898	37,581	
Franchise Corporation	404,391	267,617	816,085	
Distilled Spirits Taxes	31,318	19,617	101,907	
Unmined Coal - 2004 Taxes	72	59	285	70
Oil and Gas Property Taxes	5,994	4,921	23,844	5,860
Limestone, Sand, and Mineral Reserves	287	235	1,140	280
Penalties	24,853	24,900	69,510	28,317
Adjusted to Sheriff's Receipt	(720)	(451)	(171)	(1,351)
Gross Chargeable to Sheriff	<u>\$ 6,204,079</u>	<u>\$ 5,249,609</u>	<u>\$ 16,861,944</u>	<u>\$ 6,925,763</u>
<u>Credits</u>				
Exonerations	\$ 20,865	\$ 17,776	\$ 64,257	\$ 47,610
Discounts	98,609	82,735	272,299	117,954
Delinquents:				
Real Estate	48,321	51,460	142,327	47,239
Tangible Personal Property	2,311	1,448	5,883	4,516
Intangible Personal Property				1,142
Unmined Coal - 2004 Taxes	18	15	70	17
Nonresidential Watercraft	6	4	15	
Uncollected Franchise	<u>7,547</u>	<u>4,232</u>	<u>24,429</u>	
Total Credits	<u>\$ 177,677</u>	<u>\$ 157,670</u>	<u>\$ 509,280</u>	<u>\$ 218,478</u>
Taxes Collected	\$ 6,026,402	\$ 5,091,939	\$ 16,352,664	\$ 6,707,285
Less: Commissions *	<u>256,410</u>	<u>197,889</u>	<u>245,290</u>	<u>285,347</u>
Taxes Due	\$ 5,769,992	\$ 4,894,050	\$ 16,107,374	\$ 6,421,938
Taxes Paid	5,749,444	4,880,871	16,044,042	6,410,215
Refunds (Current and Prior Year)	<u>20,548</u>	<u>13,180</u>	<u>63,332</u>	<u>11,723</u>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ (1)</u>	<u>\$ 0</u>	<u>\$ 0</u>

\* and \*\* - see next page.

The accompanying notes are an integral part of this financial statement.

DAVIESS COUNTY  
KEITH CAIN, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2004 TAXES  
May 10, 2005  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	17,245,826
1.50% on	\$	16,352,664
1% on	\$	567,800

\*\* Special Taxing Districts:

Library District	\$	(1)
Refund Due Sheriff	\$	(1)

DAVIESS COUNTY  
KEITH CAIN, COUNTY SHERIFF  
NOTES TO FINANCIAL STATEMENT

May 10, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of May 10, 2005 the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

DAVIESS COUNTY  
KEITH CAIN, COUNTY SHERIFF  
NOTES TO FINANCIAL STATEMENT  
May 10, 2005  
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2004. Property taxes were billed to finance governmental services for the year ended June 30, 2005. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 28, 2004 through May 10, 2005.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2004. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 3, 2005 through May 10, 2005.

Note 4. Interest Income

The Daviess County Sheriff earned \$84,354 as interest income on 2004 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Daviess County Sheriff collected \$104,514 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Daviess County Sheriff collected \$12,080 of advertising costs and \$10,380 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff pays advertising costs; therefore the amount collected was distributed to the fee account. Advertising costs and fees collected will be used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





The Honorable Louis Reid Haire, Daviess County Judge/Executive  
Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial Statement  
Performed In Accordance With Government Auditing Standards

We have audited the Daviess County Sheriff's Settlement - 2004 Taxes as of May 10, 2005, and have issued our report thereon dated September 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Daviess County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Daviess County Sheriff's Settlement - 2004 Taxes as of May 10, 2005 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

*Mountjoy & Bressler, LLP.*

Mountjoy & Bressler, LLP

Audit fieldwork completed -  
September 27, 2005

